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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/2007

SPONSOR Miera LAST UPDATED 2/12/2007 HB 3/aHEC

SHORT TITLE Education Appropriation Act SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$2,525,915.9	Recurring	General Fund
	\$750.0	Recurring	Driver's License Fund
	\$12,398.1	Recurring	Other State Funds
	\$529,584.2	Recurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 2

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 3 increases the general fund appropriation by \$37.4 million primarily by mandating an average 7 percent salary increase for all educational employees, including transportation employees. The HEC amendment includes funding for an additional 0.1 percent increase in the employer contribution to the Educational Retirement Board required by salary increases above 5 percent.

HB-3/aHEC also increases funding for elementary physical education to reflect corrected enrollment numbers for the 2007-2008 school year.

The HEC amendment includes \$162.3 million in categorical funding of which \$106.9 million is for transportation and \$55.3 million for other categorical funding. The amendment removes funding in the transportation category for school owned bus replacements. The amendment also recognizes and funds as

categorical recurring items a number of authorized funds previously supported with nonrecurring appropriations. These include the Reading Materials Fund, New School Development Fund, School Library Material Fund and the Teacher Professional Development Fund.

In related recurring appropriations, the HEC amendment removes funding for the accelerated ERB contribution for FY09; includes funding for implementing Kindergarten-Three Plus; provides funding for after school enrichment programs and earmarks a portion for funding specific schools in the Gadsden, Grants and Albuquerque school districts; provides funding for cyber academy initiatives, expands Pre-Kindergarten; and increases support for beginning teacher mentorship.

Synopsis of Original Bill

House Bill 3 reflects the Legislative Finance Committee (LFC) recommendation and appropriates \$2.271 billion from the general fund, \$750 thousand from the driver's license fund, and recognizes \$484.3 million in federal flow through for the purpose of funding the 89 public school districts throughout the state including charter schools. Additionally, \$162.5 million is provided in categorical support for a total general fund recommendation for public school support of \$2.433 billion. The appropriation to the Public Education Department provides \$13,765.7 million from the general fund, \$1.1 million in other state funds and \$20.1 million in federal funds. An additional \$41.2 million from the general fund is appropriated for related, recurring appropriations (see attached summary). House Bill 3 further appropriates \$11.3 million in other state funds and \$25.1 million in federal funds to the nine regional cooperatives.

FISCAL IMPLICATIONS

The appropriation of \$2,488,563.3 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

The state equalization guarantee, also known as the "funding formula", is used to distribute funds to public schools. House Bill 3 funds a general fund increase of \$154.1 million or 7.3 percent over FY07 appropriations. Notable items contributing to this increase include \$9.5 million for enrollment growth, \$2.9 million for fixed costs, \$10.3 million for insurance, and \$14.2 million for an increased employer contribution to the Educational Retirement Board. With regard to compensation, the bill includes \$78.9 million for an average 4.25 percent salary increase for all school personnel including transportation employees, \$10.7 million for implementation of the \$50,000 minimum salary for level 3 teachers after the salary increase, and \$14.5 million for the 0.75 percent increase in the employer's share of contributions to the educational retirement fund. The appropriation also contains \$6.6 million above the line for elementary physical education and \$16.5 million for expanding Kindergarten Plus to all Title 1 schools in school improvement or restructuring and to expand the program into the first grade for the same schools.

An appropriation of \$4.3 million is included for implementing principal salary minimums beginning in fiscal year 2008 based on a responsibility factor.

Appropriations in the bill estimate projected credits of \$55.6 million from the 0.5 percent local mill levy, federal forest funds and the operational portion of federal impact aid and \$750 thousand from the drivers' license fund.

Transportation funding is increased by \$3.6 million; including recurring funding for school bus replacements. Categorical appropriations also include \$7 million in emergency supplemental funding, \$6 million for the educational technology fund, and \$4 million in recurring funding for the school improvement framework, part of a total categorical appropriation increase of \$13.8 million.

In related appropriations-recurring, the bill includes \$41.2 million to the public education department. These appropriations include \$14.5 million for providing in advance for the fiscal year 2009 cost of the employer share of contribution increases for public education employees, \$2 million for Advanced Placement, \$2 million for expanding beginning teacher mentorship, \$1.5 million for the Family and Youth resource Act, \$1 million for GRADS, and \$2.5 million for the Indian Education Act. Additional related and recurring appropriations include \$6 million for the pre-kindergarten program of which \$1 million is to be transferred to the Children, Youth and Families Department, an additional \$3 million for the school improvement framework, and \$3 million for summer reading, math and science institutes for teacher professional development.

PERFORMANCE IMPLICATIONS

House Bill 3 includes 13 performance measures focusing on student performance in kindergarten, highly qualified teachers in the classroom, graduates who take remedial classes in higher education, and student proficiency on standards based assessments.

ADMINISTRATIVE IMPLICATIONS

The bill contains language which directs the secretary to set an initial unit value to be used by the districts in developing school year 2007-2008 operating budgets and to set a final unit value no later than January 31, 2008.

Additional language contained in the bill provides that salary increases for teachers are implemented prior to implementing the \$50,000 minimum salary for Level 3-A teachers, and that teachers receiving the \$50,000 minimum salary be evaluated under the three-tiered licensure evaluation system.

Attachment

PA/csd:yr

<i>(Dollars in Thousands)</i>		FY 07 APPROPRIATION	HB-3 APPROPRIATION
1	PROGRAM COST	\$2,025,533.3	\$2,175,399.2
2	Adjustment for prior year workload decline	(\$2,996.9)	
3	ENROLLMENT GROWTH	\$11,987.4	\$9,488.5
4	FIXED COSTS	\$3,166.3	\$2,937.0
5	INSURANCE COSTS	\$21,227.7	\$10,324.8
6	COMPENSATION FOR PUBLIC SCHOOL EMPLOYEES:		
7	Teachers (4.25 percent)	\$55,789.1	\$49,334.0
8	Instructional Staff (4.25 percent)	\$9,638.4	\$7,854.5
9	Other Certified and Non-certified, including EAs (4.25 percent)	\$18,232.9	\$19,818.3
10	Educational Assistants	\$7,907.7	
11	Minimum Salaries – Three-tiered Licensure Structure		
12	Level 3 to \$45,000 in FY 07	\$6,841.3	
13	Level 3 to \$50,000 in FY 08 (Salary increase implemented prior to implementing minimum)		\$10,739.6
14	Minimum Salaries – Principals & Asst. Principals/Responsibility Factor (amend current statute)		\$4,300.0
15	Increase in Employer's ERB Contribution (0.75 percent)	\$13,215.6	\$14,166.9
16	Elementary Fine Arts	\$4,795.0	
17	Elementary Physical Education (requires legislation)		\$6,562.0
18	Kindergarten-One Plus (requires legislation)		\$16,518.1
19	Sanding Adjustment	\$61.4	
20	PROGRAM COST	\$2,175,399.2	\$2,327,442.9
21	Dollar Increase Over FY 07 Appropriation		\$152,043.7
22	Percentage Increase		7.0%
23	LESS PROJECTED CREDITS	(\$57,600.0)	(\$55,600.0)
24	LESS OTHER STATE FUNDS (from driver's license fees)	(\$850.0)	(\$750.0)
25	STATE EQUALIZATION GUARANTEE	\$2,116,949.2	\$2,271,092.9
26	Dollar Increase Over FY 07 Appropriation		\$154,143.7
27	Percentage Increase		7.3%
28	CATEGORICAL PUBLIC SCHOOL SUPPORT		
29	TRANSPORTATION		
30	Operational	\$91,385.0	\$91,186.6
31	School-owned Bus Replacements		\$3,500.0
32	Rental Fees (Contractor-owned Buses)	\$10,605.1	\$11,000.4
33	Compensation (4.25 percent)	\$2,074.2	\$1,926.1
34	Increase in Employer's ERB Contribution (0.75 percent)	\$325.2	\$339.9
35	TOTAL TRANSPORTATION	\$104,389.5	\$107,953.0
36	SUPPLEMENTAL DISTRIBUTIONS		
37	Out-of-state Tuition	\$369.6	\$370.0
38	Emergency Supplemental	\$1,997.9	\$7,000.0
39	INSTRUCTIONAL MATERIAL FUND (FY 08 – Math, Music, and Art)	\$32,965.4	\$37,224.9
40	EDUCATIONAL TECHNOLOGY FUND	\$4,994.8	\$6,000.0
41	INCENTIVES FOR SCHOOL IMPROVEMENT FUND	\$1,598.3	
42	SCHOOLS IN NEED OF IMPROVEMENT FUND	\$2,397.5	\$4,000.0
43	TOTAL CATEGORICAL	\$148,713.0	\$162,547.9
44	TOTAL PUBLIC SCHOOL SUPPORT	\$2,265,662.2	\$2,433,640.8
45	Dollar Increase Over FY 07 Appropriation		\$167,978.6
46	Percentage Increase		7.4%
47	RELATED APPROPRIATIONS: RECURRING (to PED unless otherwise noted)		
48	Public Education Department	\$12,625.0	\$13,765.7
49	Accelerated ERB Employer Contribution for FY 09		\$14,506.8
50	Advanced Placement	\$1,198.7	\$2,000.0

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51	Apprenticeship Assistance	\$649.3		\$650.0	51
52	Beginning Teacher Mentorship	\$899.1		\$2,000.0	52
53	Core Curriculum Framework	\$381.6			53
54	Elementary Physical Education	See line 77		See line 17	54
55	Family and Youth Resource Act	\$1,498.4		\$1,500.0	55
56	Fiesta Educativa Parent Conference and Outreach (GISD)	\$7.0			56
57	GRADS – Teen Pregnancy Prevention	\$999.0		\$1,000.0	57
58	Indian Education Act of 2003	\$2,497.4		\$2,500.0	58
59	Kindergarten Plus	\$999.0		See line 18	59
60	Cyber Academy for Rio Rancho High School	\$256.9			60
61	New Mexico Teacher Performance Incentive Program			\$5,000.0	61
62	Parental Training and Involvement	See line 79			62
63	Pre-kindergarten Program (includes \$1 million to be transferred to CYFD)	\$3,995.8		\$6,000.0	63
64	READING MATERIALS FUND	\$100.0			64
65	School Improvement Framework	See line 84		\$3,000.0	65
66	Summer Reading, Math and Science Institutes	\$699.3		\$3,000.0	66
67	Truancy Prevention/Dropout Prevention	\$999.0			67
68	Uniform Chart of Accounts Support and Maintenance	See line 91			68
69	TOTAL RELATED APPROPRIATIONS: RECURRING	\$27,805.5		\$54,922.5	69
70	GRAND TOTAL	\$2,293,467.7		\$2,488,563.3	70
71	Dollar Increase Over FY 07 Appropriation			\$195,095.6	71
72	Percentage Increase			8.5%	72
73	RELATED APPROPRIATIONS: NONRECURRING (to PED unless otherwise noted)				73
74	Assessment & Test Development/Exit Exams	\$6,600.0			74
75	Breakfast for Elementary Students/Farms to Schools	\$2,000.0			75
76	Computer-based Math & On-demand Student/Classroom Info. Access	\$2,500.0			76
77	Elementary Physical Education/Anti-obesity Programs	\$2,000.0		See line 17	77
78	Emergency Supplemental	\$5,000.0		See line 38	78
79	Parental Training and Involvement/Domestic Violence Curriculum	\$750.0			79
80	Pre-kindergarten Start-up	\$1,500.0			80
81	Public School Funding Formula Study (to LCS)	\$500.0			81
82	Regional Education Cooperatives Operations (pending LFC audit)	\$750.0			82
83	Rural Education/Community Revitalization	\$250.0			83
84	School Improvement Framework	\$6,000.0		See line 65	84
85	SCHOOL LIBRARY MATERIAL FUND	\$3,000.0			85
86	School-owned Bus Replacements	\$3,680.9			86
87	Summer Camp Program in Santa Fe	\$300.0			87
88	Summer Institutes for Reading & Mathematics (professional development)	\$1,000.0		See line 66	88
89	TEACHER PROFESSIONAL DEVELOPMENT FUND	\$2,000.0			89
90	Three-tiered Licensure Evaluation System: Teachers	\$300.0			90
91	Uniform Public School Chart of Accounts	\$122.5			91
92	Specialized Legal Services for Gallup-McKinley Supreme Court Hearing			\$120.0	92
93	STATE EQUALIZATION GUARANTEE (to offset reductions in Impact Aid Credits FY07)			\$2,000.0	93
94	Supplemental support to school districts experiencing operational shortfalls			\$6,300.0	94
95	Supplemental support to schools targeted for closing			\$3,000.0	95
96	TOTAL RELATED APPROPRIATIONS: NONRECURRING	\$38,253.4		\$11,420.0	96